

20% de descuento en todos los productos

Preguntas del examen

L4M5

Commercial Negotiation



1. Which of the following occur within the planning and preparation stage in a negotiation process? Select THREE that apply.

- A. Understanding the other party
- B. Defining the constituents
- C. Making as few concessions as possible
- D. Using questions to elicit information
- E. Narrowing the range of solutions
- F. Analyse the bargaining power

Answer: A, B, F

Explanation:

In the planning and preparation stage of negotiation, it is essential to build a strong foundation by understanding various factors that influence the negotiation outcome. According to CIPS resources, critical aspects of preparation include:

Understanding the other party (A): This helps in anticipating their needs, objectives, and potential negotiation styles, leading to more strategic discussions.

Defining the constituents (B): This involves identifying all stakeholders or parties impacted by the negotiation, ensuring their interests are considered when planning the negotiation strategy.

Analyzing the bargaining power (F): Understanding the relative power each party brings to the negotiation helps in setting realistic goals and predicting possible negotiation dynamics.

These elements are foundational in ensuring a well-rounded approach and enabling both parties to enter negotiations with clarity and strategy, enhancing the potential for a positive outcome.

2. A purchasing organisation is discussing its approach to an upcoming negotiation with a key supplier over a contract for critical new services. They have decided they want to find a Win/Win (integrative) solution.

Which TWO of the following would be appropriate in this scenario?

- A. Collaboration
- B. Problem solving
- C. Coercion
- D. Persuasion
- E. Transfer of risk

Answer: A, B

Explanation:

In a Win/Win or integrative negotiation approach, the goal is to achieve mutual benefit, which is characterized by a collaborative environment.

According to CIPS principles on integrative negotiation:

Collaboration (A): Actively working together enables both parties to find solutions that maximize joint gains and address the needs of both sides.

Problem solving (B): Focusing on problem-solving allows both parties to address the

issues at hand rather than competing over positions, facilitating a solution that satisfies both parties' needs.

By emphasizing collaboration and problem-solving, the organization increases the likelihood of a successful, sustainable agreement that respects both parties' interests.

3. Maria is a professional services category buyer within the National Health Service. Due to the severe financial budget cutbacks the National Health Service is facing, the procurement team has been tasked with achieving cost savings so that funding available can be spent on patient care. Maria plans to achieve savings with one of her collaborative suppliers.

Which negotiation approach should she undertake?

- A. Win-Lose
- B. Lose-Lose
- C. Win-Perceived Win
- D. Win-Win

Answer: D

Explanation:

The Win-Win approach is the most appropriate negotiation strategy in situations where collaboration and ongoing relationships are prioritized. In this case:

Achieving cost savings: The NHS aims to reduce expenses in order to reallocate funds to critical areas, making it essential that both parties work together to find cost-effective solutions.

Collaborative supplier relationship: Since Maria is working with a collaborative supplier, maintaining a positive relationship through mutual benefit is essential for continued cooperation.

Alignment with public service objectives: A Win-Win outcome aligns with the NHS's broader objectives of maximizing resources for patient care, as it ensures that savings are achieved without undermining the supplier's commitment to quality service.

This approach aligns with CIPS guidelines for maintaining productive, ethical partnerships in procurement, especially in critical sectors like healthcare.

4. Hammad Alsuwaidi is a procurement professional leading a negotiation for a vehicle rental contract. Hammad has a clear goal to negotiate a two-year contract in exchange for a minimum of a 20% discount. During the negotiation, Hammad presents to the supplier the facts, figures, and justification for a 20% discount.

Which of the persuasion methods below has Hammad chosen?

- A. Push
- B. Visionary
- C. Pull
- D. Collaborative

Answer: A

Explanation:

Hammad's approach of presenting facts, figures, and justifications aligns with the Push persuasion method. The Push strategy involves directly presenting information, data, and logical arguments to convince the other party of a certain outcome. In this scenario, Hammad is using objective evidence to influence the supplier towards agreeing to a discount, which is characteristic of the Push method, as per CIPS guidance on negotiation tactics.

5.Which of the following are variable costs?

- A. Rent
- B. Loan repayments
- C. Insurance
- D. Packaging

Answer: D

Explanation:

Packaging is considered a variable cost because it fluctuates with the level of production or sales activity. Variable costs change directly in relation to the volume of output or service.

In contrast:

Rent (A), Loan repayments (B), and Insurance (C) are fixed costs, as they generally do not vary with production levels within a certain range. These are recurring costs that remain constant over time, aligning with CIPS's cost classification in procurement.

6.For a commercial negotiation to be effective, the organisation has to identify resources required for negotiation.

Which one of the following could help?

- A. Involve a larger team than the other party
- B. Involve an appropriate cross-functional team
- C. Involve a team of only senior managers
- D. Involve a location-based team only

Answer: B

Explanation:

Involving an appropriate cross-functional team is beneficial for effective commercial negotiation because it brings together diverse perspectives and expertise relevant to the negotiation context. According to CIPS, a cross-functional team ensures that all aspects, such as technical, financial, and operational inputs, are considered, leading to more balanced and informed decision-making. This approach also helps in addressing complex negotiation elements effectively.

7.What are the potential sources of conflict between the buyer and supplier? Select TWO that apply.

- A. Persistent late payment of the supplier's invoices
- B. Unequal sharing of gains, risks, and costs with the supplier
- C. Requesting early supplier involvement
- D. Planning scheduled visits to the supplier site
- E. Scheduling agreed supplier delivery dates

Answer: A, B

Explanation:

Persistent late payment of the supplier's invoices (A) and Unequal sharing of gains, risks, and costs with the supplier (B) are potential sources of conflict as they create dissatisfaction and imbalance in the relationship.

According to CIPS materials:

Late payments (A) can strain the supplier's cash flow, affecting their operational stability and leading to mistrust in the buyer.

Unequal sharing of gains, risks, and costs (B) can result in one party feeling exploited or unfairly treated, which undermines the collaborative spirit essential for long-term partnerships.

In contrast, requesting early supplier involvement, planning visits, or setting delivery dates are typically part of constructive relationship management practices and do not inherently lead to conflict.

8.When developing a negotiation approach, according to recognised theory (for example, Mendelow), how should stakeholders with high interest but low power be managed?

- A. Minimal effort
- B. Key player
- C. Keep informed
- D. Keep satisfied

Answer: C

Explanation:

According to Mendelow's Stakeholder Matrix, stakeholders with high interest but low power should be managed by keeping them informed. These stakeholders are invested in the outcome but lack the influence to change it, so keeping them updated helps in maintaining their support and managing expectations without intensive resources or prioritization. This approach aligns with CIPS guidance on stakeholder management in negotiation planning.

9.A procurement professional is dissatisfied with how a recent negotiation was concluded.

What could they do to improve their negotiation approach?

-
10. Seek feedback from the supplier on their recent performance
11. Prepare for all negotiations with a WIN/LOSE (distributive) approach
12. Involve lots of people in future negotiations
13. Undertake reflective practice after each negotiation

- A. 1 and 3
B. 2 and 3
C. 1 and 4
D. 3 and 4

Answer: C

Explanation:

To improve negotiation outcomes, seeking feedback from the supplier (1) and undertaking reflective practice (4) are recommended actions. Feedback from the supplier can provide insights into areas for improvement from the counterparty's perspective, while reflective practice allows the negotiator to evaluate their own approach, outcomes, and areas for growth. This approach aligns with CIPS's emphasis on continuous improvement in negotiation skills.

14. Maria has adopted an adversarial style relationship with her stationery supplier. This relationship style can be characterised by which of the following? Select the TWO that apply.

- A. Minimal sharing of information
B. Requirement to exceed expectations
C. Degree of mutual commitment
D. Use of power to seek the best possible deal
E. Requirement to secure quality of supply

Answer: A, D

Explanation:

An adversarial relationship is characterized by a competitive, often zero-sum approach where:

Minimal sharing of information (A): In adversarial settings, there is limited transparency as each party prioritizes its interests.

Use of power to seek the best possible deal (D): Power dynamics are leveraged to gain favorable terms, often at the expense of the other party.

This style typically lacks collaboration and mutual commitment, focusing instead on short-term gains rather than building a partnership, as described in CIPS resources on adversarial relationships.

15. Which of the following stages of the CIPS Procurement Cycle are typically where commercial negotiations take place?

16. Contract management and improvement

17. Develop tender documentation

18. Market sector analysis

19. Contract award and implementation

A. 1 and 4

B. 1 and 3

C. 3 and 4

D. 2 and 3

Answer: A

Explanation:

Commercial negotiations commonly take place during Contract Management and Improvement (1) and Contract Award and Implementation (4) stages.

During these stages:

Contract Management and Improvement (1): Ongoing negotiations may be required to adjust terms and conditions as part of managing the contract lifecycle.

Contract Award and Implementation (4): Initial negotiations finalize terms, setting the foundation for successful contract execution.

These stages are pivotal in ensuring both initial and ongoing alignment, as outlined in the CIPS Procurement Cycle.

20. A supplier can produce a product for \$160. The supplier sells the product to their client for \$240, making a profit before tax of \$80 on the transaction.

What is the mark-up profit percentage earned by the supplier on this transaction?

A. 33%

B. 159%

C. 50%

D. 67%

Answer: C

Explanation:

The mark-up percentage is calculated as the profit divided by the cost of production, then multiplied by 100 to convert it into a percentage.

Calculation:

(
80
/
160

)
×
100
=
50
%
 $(80/160) \times 100 = 50\%$
Thus, the supplier's mark-up percentage is 50%, as per standard pricing calculations used in procurement.

21. A wide range of factors may be taken into account by suppliers when setting or negotiating prices.

Which of the following are external factors in pricing decisions? Select TWO that apply.

- A. Competition in the market
- B. Cost of production
- C. Where the product is in its lifecycle
- D. Customer perception of value
- E. Costs of sales

Answer: A, D

Explanation:

External factors in pricing decisions include Competition in the market (A) and Customer perception of value (D).

These factors are outside the supplier's direct control but influence pricing strategies to remain competitive and meet customer expectations:

Competition in the market (A): Market competition dictates how much a supplier can charge without losing business to competitors.

Customer perception of value (D): How customers perceive the product's worth affects its acceptable price range.

These factors are considered external as they relate to market dynamics rather than internal cost structures, according to CIPS's guidance on pricing influences.

22. Which of the following roles would support negotiations with an external supplier when planning a negotiation for a low-value, routine purchase? Select TWO that apply.

- A. The Human Resource (HR) manager
- B. A legal advisor
- C. The procurement manager
- D. The Chief Executive Officer (CEO)
- E. An internal business user

Answer: C, E

Explanation:

For low-value, routine purchases, the involvement of The procurement manager (C) and An internal business user (E) is appropriate. The procurement manager brings expertise in supplier engagement, while the internal business user provides insights on specific needs for the product or service.

Involving high-level roles, like the CEO or a legal advisor, is unnecessary for routine purchases, as per CIPS guidance on resource alignment in procurement.

23.The stages of commercial negotiation involve which of the following characteristics?

- A. Preparation, proposal, bargain, leave
- B. Open, testing, bargaining, closing, revisiting
- C. Preparing, opening, bargaining, agreement, closure
- D. Opening, debating, promising, testing, disagreeing, closing

Answer: C

Explanation:

The typical stages of commercial negotiation are Preparing, opening, bargaining, agreement, and closure. This sequence facilitates a structured approach where negotiators prepare strategies, initiate discussions, engage in bargaining, reach agreements, and formally close the negotiation. This structure is emphasized in CIPS materials as essential for achieving a balanced negotiation process.

24.Which of the following constitutes a key element to developing high-trust supplier relationships?

- A. Contract management
- B. Supplier audits
- C. Delivering on commitments
- D. Information gathering

Answer: C

Explanation:

Delivering on commitments is fundamental to building high-trust relationships. When an organization reliably fulfills its promises, it reinforces the supplier's confidence in the partnership, fostering long-term collaboration. While contract management and audits are supportive processes, delivering on commitments directly strengthens trust, as emphasized in CIPS best practices for relationship management.

25.The sourcing manager has decided to adopt an adversarial style of negotiation to take advantage of the buyer's greater bargaining power over the suppliers.

In what other circumstances should an adversarial relationship be used?

- A. When the supplier is likely to respond with further concessions to maintain a long-

term relationship

B. In all forms of negotiation as each party is always trying to gain advantage over the other

C. In a monopoly market as the supplier will respond by conceding quantity discounts

D. When the issues concerned are non-negotiable, for example, health and safety commitments

Answer: D

Explanation:

An adversarial style is appropriate when issues are non-negotiable, such as health and safety commitments (D). In these scenarios, compliance is required without compromise, and a firm stance may be necessary. This aligns with CIPS guidance, where adversarial tactics are used in non-negotiable contexts to enforce strict standards.

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B. In all forms of negotiation as each party is always trying to gain advantage over the other

C. In a monopoly market as the supplier will respond by conceding quantity discounts

D. When the issues concerned are non-negotiable, for example, health and safety commitments

Answer: D

Explanation:

This question is a duplicate of Question 17. The answer remains the same: When the issues concerned are non-negotiable, such as health and safety commitments (D).

Non-negotiable issues require an assertive approach to ensure adherence to essential standards, as highlighted in CIPS's framework for negotiation styles.

27. A skilled negotiator will use a range of questioning techniques in a negotiation.

If they wished to explore options with the other party without making any formal commitment, which type of question style would they use?

A. Leading

B. Hypothetic

C. Reflective

D. Multiple

Answer: B

Explanation:

Hypothetical questions are used to explore options or scenarios without making

commitments. This technique allows negotiators to understand the other party's preferences and limitations by presenting hypothetical situations, as recommended in CIPS guidelines for negotiation questioning techniques.

28. Where a negotiator uses numerical reasoning with facts as part of their negotiation approach, which of the following techniques will they be adopting?

- A. Threat
- B. Logic
- C. Emotion
- D. Power

Answer: B

Explanation:

Using logic involves applying numerical data and factual evidence to support arguments in a negotiation. Logical reasoning appeals to objective analysis rather than emotional or coercive tactics and is effective in convincing the other party through structured, fact-based arguments, aligning with CIPS's guidance on logical negotiation techniques.

29. Which of the following is a description of mark-up?

- A. Profit expressed as a percentage of the selling price
- B. Profit expressed as a percentage of costs
- C. Profit expressed as a percentage of fixed costs
- D. Profit expressed as a percentage of variable costs

Answer: B

Explanation:

Mark-up is defined as profit expressed as a percentage of the cost. It calculates the profit margin based on the cost price rather than the selling price, which allows companies to determine how much they are earning over their production or purchase costs. This aligns with standard accounting and CIPS definitions of mark-up in procurement contexts.

30. Fast & Easy Limited, a global fast food retailer, is in a negotiation with its major meat supplier. The supplier is asking for a 2% price increase, which Fast & Easy is strongly resisting. The supplier justifies this increase by stating that currency fluctuations, an unstable economic climate, and rising transport costs have necessitated this increase.

Which influencing tactic is the supplier using?

- A. Rational persuasion
- B. Inspirational appeal
- C. Coalition

D. Personal appeal

Answer: A

Explanation:

The supplier is using Rational persuasion by providing logical reasons, such as economic conditions and increased costs, to justify the price increase. This approach uses factual information to influence the buyer's decision, aiming to present the price hike as a reasonable adjustment, which aligns with CIPS strategies on influencing tactics in negotiations.

31. Fast & Easy Limited, a global fast food retailer, is in a negotiation with its major meat supplier. The supplier is asking for a 2% price increase, which Fast & Easy is strongly resisting. The supplier justifies this increase by stating that currency fluctuations, an unstable economic climate, and rising transport costs have necessitated this increase.

Which influencing tactic is the supplier using?

- A. Rational persuasion
- B. Inspirational appeal
- C. Coalition
- D. Personal appeal

Answer: A

Explanation:

This question is a duplicate of Question 22, and the answer remains Rational persuasion (A). The supplier's use of economic justifications aligns with rational persuasion, an influencing tactic defined by CIPS as presenting logical, fact-based reasons to secure agreement.

32. A procurement manager has been asked to procure 1,000 pens. He suggests to his manager that to obtain the best value for money, they should undertake a competitive bidding process.

Would this be the best course of action?

- A. Yes, as all procurement processes should go through competitive bidding to achieve the best value for money
- B. Yes, the process will be opened up to many suppliers and therefore will result in a cheaper price for the pens
- C. No, competitive bidding should only be used when the value justifies the time spent on the process
- D. No, competitive bidding should only be used in public sector organisations

Answer: C

Explanation:

Competitive bidding is generally recommended for high-value or complex purchases where the cost and time required for the bidding process are justified. For low-value,

routine items like pens, the time and resources required for competitive bidding may outweigh the potential cost savings, as noted in CIPS best practices. Hence, Option C is the best answer.

33. When is an adversarial style of negotiation appropriate?

- A. When one party has high bargaining power
- B. When a buyer feels the relationship is important
- C. When both parties want a win/win outcome
- D. When a sustainable partnership is key

Answer: A

Explanation:

An adversarial negotiation style is appropriate when one party has high bargaining power and is focused on maximizing its benefit rather than maintaining a long-term relationship. This approach often involves competitive tactics that leverage power disparities, aligning with CIPS guidance on when adversarial tactics may be strategically used in negotiations.

34. The National Schools Purchasing Forum (NSPF) is a procurement organisation that purchases goods and services on behalf of schools on a national scale. NSPF is close to concluding negotiations in a meeting with Hygienics For All (HFA) for the supply of consumables to school washrooms. Both parties have reached an agreeable position, and NSPF feels it is important that they conclude the negotiation at this point.

What type of questions should NSPF ask HFA to achieve this?

- A. Hypothetical questions
- B. Open questions
- C. Closed questions
- D. Probing questions

Answer: C

Explanation:

Closed questions are effective for concluding negotiations, as they often elicit straightforward yes-or-no responses, helping to finalize terms and confirm agreement on specific points. This approach facilitates a clear and concise close to discussions, ensuring that both parties confirm their commitment to the agreed terms, as recommended by CIPS negotiation strategies.

35. Which of the following are microeconomic factors? Select THREE that apply.

- A. Rates of taxation
- B. Availability of investors
- C. Unemployment levels

D. Distribution channels

E. Rates of inflation

F. Levels of competition

Answer: B, D, F

Explanation:

Microeconomic factors refer to elements that affect individual businesses or sectors rather than the economy as a whole. In this case:

Availability of investors (B): Access to investors impacts capital availability for businesses. Distribution channels (D): Distribution methods directly influence a business's ability to get products to market.

Levels of competition (F): Competition affects pricing and strategic decisions within specific industries.

Taxation rates, unemployment levels, and inflation rates are considered macroeconomic factors, affecting the economy on a broader scale, as per CIPS's definitions of microeconomic vs. macroeconomic influences.

36. Which of the following can be prepared before a negotiation with a supplier to achieve an agreement to benefit both parties?

37. Zone of potential agreement

38. Attendee list for the negotiation talks

39. Walk-away point

40. Venue for the negotiation talks

A. 1 and 2

B. 1 and 3

C. 3 and 4

D. 2 and 3

Answer: B

Explanation:

Zone of Potential Agreement (1) and Walk-away point (3) are key elements in negotiation planning. Establishing a Zone of Potential Agreement helps identify where interests align, while the Walk-away point sets the limit of acceptable terms. Both are essential to preparing a negotiation framework that benefits both parties, as per CIPS best practices.

41. Effective listening is important in integrative negotiations. Is this statement correct?

A. Yes, as it allows issues to be shared and understood between all parties

B. Yes, as it means the supplier's attempts at negotiation can be stopped quickly with

reasoning

C. No, as what the other party has to say is not important

D. No, as effective listening is important only in a distributive negotiation

Answer: A

Explanation:

Effective listening is crucial in integrative negotiations because it promotes understanding and collaboration. By actively listening, parties can identify shared interests and address concerns, which supports the goal of reaching mutually beneficial solutions. This is a key component in CIPS guidelines on successful integrative negotiation practices.

42. A procurement expert has been asked to ensure they consider emotional intelligence in their negotiation strategy. They have agreed to this and have started planning their approach.

Which of the following describes emotional intelligence?

A. An individual's ability to gain leverage by persuading the other party to agree to their terms

B. An individual's ability to fully understand another party's cost drivers and profit margins

C. An individual's ability to understand their own feelings and those of other people

D. An individual's ability to place themselves in a position of authority during a negotiation

Answer: C

Explanation:

Emotional intelligence involves the ability to recognize and manage one's emotions and empathize with others. This skill allows negotiators to respond appropriately to both their own feelings and the emotional cues of the other party, fostering a more constructive and adaptive negotiation environment. CIPS highlights emotional intelligence as a valuable asset in understanding and influencing negotiation dynamics.

43. Which of the following would be considered appropriate influencing techniques in contract negotiation? Select TWO that apply.

A. Ratification

B. Rule ethics

C. Framing and re-framing

D. Validation

E. Anchoring

Answer: C, E

Explanation:

Framing and re-framing (C) and Anchoring (E) are powerful influencing techniques:

Framing and re-framing (C): This technique shapes how information is presented to make specific aspects more compelling or relevant.

Anchoring (E): Anchoring sets an initial reference point, which influences how subsequent information is perceived.

These techniques help negotiators control the flow and focus of discussions, aligning with CIPS recommendations for strategic influence in negotiations.

44. When might a buyer decide to use a distributive approach to a negotiation with a supplier?

- A. When they are dependent on that supplier in the future
- B. When there are various suppliers in the market producing a similar product
- C. When procuring an item that is not strategic to the organisation
- D. When a working relationship is important in the future

Answer: B

Explanation:

A distributive approach is appropriate when multiple suppliers offer similar products, as this competitive environment allows the buyer to focus on maximizing their position rather than building long-term partnerships. CIPS suggests that a distributive or competitive approach is best used in non-critical purchases or when supplier dependency is low, as is the case here.

45. Mike is a junior buyer who has been working for a manufacturing organisation for two years, specializing in purchasing research. Over this time, he has built good relationships within his team and with other departments.

Which of the following sources of power is Mike most likely to possess?

- A. Referent
- B. Reward
- C. Position
- D. Coercive

Answer: A

Explanation:

Referent power is based on personal relationships and the respect or admiration one earns within an organization. Given Mike's positive relationships and his rapport with team members and other

departments, he is most likely to have referent power. This power type is influential in negotiation as people are more willing to work with someone they respect, as outlined in CIPS power dynamics in negotiation.

46. A procurement manager is considering negotiating variable pricing for a contract duration of 12 months. Would this be the right thing to do?

-
- A. No, because this will not enhance the buyer-supplier relationship
 - B. No, because it will prove difficult to budget for the duration of the contract and provide financial uncertainty
 - C. Yes, because this method of pricing will always provide value for money
 - D. Yes, because it will build relationships with the supplier and provide a stronger platform for the next contract renewal

Answer: B

Explanation:

Variable pricing can lead to budgeting challenges and financial uncertainty over a 12-month period. While variable pricing may allow flexibility, it complicates financial planning and forecasting. For predictable budgeting and reduced financial risk, fixed pricing is typically preferred in such contract durations, aligning with CIPS recommendations on pricing models in contract management.

47. Where there are high levels of commitment to relationships between both the buyer and supplier, this is seen as collaborative and beneficial to negotiations. Is this statement correct?

- A. Yes, characteristics include risk management and strategic planning
- B. No, this can be classified as adversarial
- C. Yes, characteristics include arm's length transactions and minimal communication
- D. No, collaboration does not require commitments from either side

Answer: A

Explanation:

A collaborative relationship is characterized by mutual commitment, which enhances risk management and strategic planning between buyer and supplier. High levels of trust and commitment enable both parties to work closely to achieve shared objectives, creating a beneficial negotiation environment. This approach aligns with CIPS's principles of collaborative procurement relationships.

48. The activity of listening in a negotiation includes which of the following processes?

49. Hearing

50. Interpreting

51. Rapport

52. Influencing

- A. 1 and 2 only
- B. 2 and 3 only
- C. 1 and 3 only

D. 2 and 4 only

Answer: A

Explanation:

Listening involves both hearing (1) and interpreting (2) the information shared by the other party. Effective listening is an active process that goes beyond simply hearing words; it involves interpreting meaning, understanding the speaker's intent, and responding accordingly. CIPS emphasizes these steps as part of effective communication in negotiations.

53. Champion Toys (CT) is negotiating a large order of luxury toys with its supplier, Top Teds. CT has identified that lead times, order quantities, and delivery locations are tradeables that could be used in this negotiation.

At which negotiation stage should CT introduce these tradeables?

A. Bargaining

B. Closure

C. Proposing

D. Opening

Answer: A

Explanation:

Bargaining is the negotiation stage where tradeables are typically introduced and discussed. During this phase, both parties exchange offers and concessions, using tradeables such as lead times and order quantities to find a mutually acceptable agreement. This aligns with CIPS's guidance on the stages of negotiation.

54. The bargaining power of buyers is likely to be high in relation to suppliers in which of the following situations?

A. The buyer spend is a low proportion of the supplier's revenue

B. The buyer does not have the option to make as an alternative to buy

C. The buyer demand is urgent and cannot be postponed

D. The buyer is large in size relative to the supplier

Answer: D

Explanation:

The bargaining power of buyers increases when the buyer is large relative to the supplier. A large buyer can leverage its size to negotiate more favorable terms due to its significant impact on the supplier's business. CIPS notes that a buyer's size and purchasing volume are key factors that enhance its negotiating power in buyer-supplier relationships.

55. Procurement gets involved in negotiating purchase requisitions only when there is

a value analysis to ensure that only value-adding aspects are included. Is this statement true?

- A. No, purchasing can negotiate other details of the purchase requisition even where value analysis is absent
- B. No, value analysis is a very technical process that requires the expertise of engineering and financial analysts
- C. Yes, the role of purchasing is to add value to the purchase, and therefore every purchase requisition must go through a team value analysis
- D. Yes, value analysis is the single most important responsibility of procurement in the processing of repeat requisitions

Answer: A

Explanation:

Procurement can negotiate various aspects of a purchase requisition even without a formal value analysis. While value analysis can enhance cost-effectiveness, procurement professionals often negotiate on pricing, terms, and conditions to add value independently of value analysis, as per CIPS's guidelines on procurement flexibility in negotiations.

56. Which of the following is a source of information on microeconomic factors?

- A. Published economic indices such as the Retail Price Index (RPI)
- B. Data published by the financial markets and commodity markets and exchanges
- C. Analysis published in the mainstream and financial media
- D. The marketing and corporate communications of suppliers

Answer: D

Explanation:

The marketing and corporate communications of suppliers are direct sources of microeconomic information, particularly about individual companies and industry conditions. Other options (RPI, financial market data, etc.) are more aligned with macroeconomic data, focusing on broader economic trends, as outlined in CIPS definitions of micro vs. macroeconomic data sources.

57. Which of the following would describe a push approach to influencing?

58. Exerting power or authority

59. Extensive use of open questioning

60. The party being influenced is fully aware of the process occurring

61. The party being influenced may not be aware of the process happening

A. 1 and 2 only

- B. 3 and 4 only
- C. 1 and 3 only
- D. 2 and 4 only

Answer: C

Explanation:

A push approach typically involves exerting authority or power (1) with the party being influenced generally aware of the influence process (3). This method involves overtly directing or persuading the other party, often through explicit information or directives, as per CIPS's understanding of push influence techniques.

62. Which of the following are features of a single-sourced type of relationship on the relationship spectrum?

63. Exclusivity granted in relation to a particular product

64. The supplier is an oligopoly market structure

65. The supplier is trusted and collaborative

66. Framework contracts are used to identify the supplier

- A. 1 and 2 only
- B. 1 and 3 only
- C. 2 and 3 only
- D. 2 and 4 only

Answer: B

Explanation:

Single-sourced relationships often involve exclusivity for a specific product (1) and a high level of trust and collaboration (3) between buyer and supplier. This type of relationship is selected for strategic procurement purposes, often involving long-term partnerships, which align with CIPS's relationship spectrum guidelines.

67. Different types of relationships impact commercial negotiations.

At a negotiation, which one of the following sources would help to support leverage for the buyer?

- A. Legitimate power
- B. Personality power
- C. Powerful colleagues
- D. Friends power

Answer: A

Explanation:

Legitimate power derives from formal authority or position, giving the buyer leverage

in negotiations. This power type is more effective in establishing credibility and enforcing terms, as highlighted in CIPS's framework for negotiation power sources, unlike informal sources like personality or friendship.

68. Which of the following are internal factors when a supplier is making its pricing decision?

69. Price elasticity of demand

70. Environmental legislation

71. Risk management

72. The stage in the product life cycle

A. 1 and 2 only

B. 1 and 4 only

C. 2 and 3 only

D. 3 and 4 only

Answer: D

Explanation:

Risk management (3) and the stage in the product life cycle (4) are internal factors within the supplier's control and directly influence pricing decisions. These internal factors guide strategic pricing policies. In contrast, price elasticity of demand and environmental legislation are external factors, as per CIPS's guidelines on pricing influences.

73. Which of the following is active listening?

A. Encouraging the other party to do all the talking

B. Agreeing with what the other party has to say

C. Summarising what has been said

D. Ignoring what the other party has to say

Answer: C

Explanation:

Summarising what has been said is a key component of active listening, as it demonstrates understanding and engagement in the conversation. Active listening involves confirming and clarifying information, which helps build rapport and ensures accurate communication, as outlined in CIPS's guidelines for effective negotiation communication.

74. An adversarial style of negotiation is appropriate where the buyer has greater

bargaining power over the supplier. In what other situations may the buyer adopt this style of negotiation?

- A. When the supplier is a monopolist and some advantages need to be gained from the agreement
- B. In a market that is full of alternative sources and substitute products
- C. Where there is a single sourcing strategy to eliminate the competing suppliers and retain only one
- D. In a market where the buyers are competing for fewer supply sources

Answer: B

Explanation:

An adversarial negotiation style is more suitable in a market with many alternative sources and substitutes (B). When there are multiple suppliers, buyers have the upper hand and can adopt a competitive stance without risking supply continuity. This aligns with CIPS guidance on the use of adversarial styles in competitive markets with numerous alternatives.

75. Lina Rawlins is a senior buyer working for a medical equipment company. Lina is in charge of the company's largest supplier account, Great Barrington Gas (GBG), a medical equipment supplier. Recently, GBG's performance has declined, leading to an increasing number of rejected items. Lina is aware of the seriousness of this and has asked GBG to attend an urgent meeting. In the meeting, Lina asked the GBG representative, "Can you tell me exactly what you are doing to ensure quality?"

What type of question is Lina asking?

- A. Probing
- B. Leading
- C. Reflective
- D. Hypothetical

Answer: A

Explanation:

Lina is asking a probing question to gather more detailed information on the actions GBG is taking to address quality issues. Probing questions are intended to delve deeper into a topic and elicit specific details, making them suitable for understanding underlying issues, as per CIPS's negotiation question types.

76. Langham Industries is seeking to expand its operations globally. The CEO has asked the procurement department to engage in a macroeconomic analysis for its potential new supply chain to meet organisational objectives and outcomes.

Which of the following would be a source of macroeconomic data?

- A. Competitor analysis
- B. Attending trade conferences
- C. Published market indices

D. Online supplier forums

Answer: C

Explanation:

Published market indices are a source of macroeconomic data, as they reflect broader economic trends and provide insights into the overall market environment, which is essential for global expansion planning. Macroeconomic analysis focuses on high-level economic indicators, as recommended in CIPS's guidelines on sourcing macroeconomic data.

77. Tony is undertaking a negotiation with a strategic supplier and is frustrated by the lack of progress. He proposes using threats to get what he wants from the negotiations.

Is this the correct course of action?

- A. Yes, Tony will get what he requires from the negotiations
- B. Yes, a long-term relationship is not required with the supplier
- C. No, a long-term relationship built on trust is required with the supplier
- D. No, it does not guarantee Tony will get what he requires from the negotiations

Answer: C

Explanation:

Using threats is generally inappropriate in strategic supplier negotiations where a long-term, trust-based relationship is required (C). Threatening tactics can damage the relationship and may result in resistance from the supplier. CIPS advocates for collaborative approaches in strategic relationships to foster mutual trust and achieve sustainable agreements.

78. During a negotiation, Jose Gomez, the salesperson for a strategic supplier, states that his sales director will not approve discounts against initial purchases. However, Jose offers a 5% discount on the aftercare package, which will provide the same monetary saving. Sally Pampas requires both the product and the aftercare package and has an objective to achieve a 5% discount off the purchase price. To achieve a win-win (integrative) negotiation, Sally should...

- A. Ask Jose to apply a 15% discount against the purchase price
- B. Accept the offer of a 5% discount against the aftercare package
- C. Decline the offer and walk away from the negotiation
- D. Ask Jose to apply the 5% discount against the purchase price

Answer: B

Explanation:

To achieve a win-win (integrative) negotiation, Sally should accept the 5% discount on the aftercare package (B), as it meets her objective for a total discount while respecting the supplier's limitations. This approach demonstrates flexibility and is in line with CIPS principles on integrative negotiations, where both parties achieve value.

in different forms.

79. Any commercial negotiation process has only three potential stakeholders: procurement, the budget holders, and the users. Is this TRUE?

- A. Yes, and the budget holder is the most important one because of the finances involved
- B. Yes, the role of procurement is to ensure that the technical specifications are fit for purpose
- C. No, only procurement, the user, and suppliers have an interest in the products negotiated
- D. No, other stakeholders, such as directors, and IT might also be interested in the negotiation outcomes

Answer: D

Explanation:

Other stakeholders, including directors, IT, and finance departments, often have an interest in procurement negotiations, particularly when the contract impacts strategic objectives, IT infrastructure, or organizational operations. This broader stakeholder involvement aligns with CIPS's emphasis on inclusive stakeholder management in procurement to ensure well-rounded decision-making.

80. John Browne, a junior buyer for a corporation, is analyzing the global supply market before undertaking negotiations and is wondering whether foreign exchange rates are important to factor into his research.

Should John consider the foreign exchange rates?

- A. No, as they only affect the bank's interest rates for loans
- B. Yes, only if the organization can handle foreign currencies in their accounts
- C. Yes, as they can affect profit and turnover
- D. No, exchange rates only apply to the national economy

Answer: C

Explanation:

Foreign exchange rates impact import costs, profit margins, and overall turnover when transactions are conducted in foreign currencies. Understanding these fluctuations allows buyers to anticipate changes in purchasing costs, supporting informed decision-making, as highlighted in CIPS guidance on global procurement considerations.

81. A garden furniture supplier who is currently in negotiations for a high-value contract has offered the procurement manager a visit to their site. The supplier suggests that during this visit, they can undertake the contract negotiation.

What would be an appropriate response from the procurement manager?

-
- A. Accept the offer as this would be an ideal opportunity to see what the supplier can offer and will provide the supplier with familiarity while negotiating
 - B. Accept the offer as this would save time; a supplier visit and negotiation could be done at the same time
 - C. Decline the offer as it would take too much time to go and visit the supplier
 - D. Decline the offer as negotiating while on a site visit will provide the supplier with an unfair advantage, as they will be in a familiar environment

Answer: D

Explanation:

Negotiating at the supplier's site can give the supplier a psychological advantage due to their familiarity with the setting. To ensure a neutral and balanced negotiation environment, it's preferable to conduct negotiations in a neutral location or through structured channels, as recommended in CIPS's guidance on negotiation settings.

82. An organization should develop different relationships which are appropriate to each supplier situation.

Which ONE of the following analysis methods could help to identify these?

- A. Resources and cost spectrum
- B. The relationship spectrum
- C. The color spectrum
- D. A spectrum of non-critical items

Answer: B

Explanation:

The relationship spectrum categorizes supplier relationships based on factors like strategic importance, allowing organizations to tailor their approach to each supplier relationship. CIPS emphasizes the relationship spectrum as a valuable tool for assessing and managing supplier interactions based on strategic relevance.

83. What is a benefit to the buyer of having a BATNA (best alternative to a negotiated agreement) in a negotiation?

- A. To aid detailed pre-meeting data gathering and analysis
- B. To reduce financial and logistical risk for both parties
- C. To be able to confidently walk away from an unfavorable deal
- D. To facilitate information sharing between both parties

Answer: C

Explanation:

A BATNA provides the buyer with the confidence to walk away if terms are not favorable, ensuring they don't settle for a suboptimal agreement. Knowing the best alternative enables buyers to negotiate from a position of strength, as per CIPS's guidance on negotiation strategies.

84. A procurement manager has decided to bring in a junior member of their team to a negotiation meeting.

Which of the following would be suitable roles for this junior member of the team?

85. Note taker

86. Expert

87. Observer

88. Chair

A. 1 and 2

B. 1 and 3

C. 2 and 3

D. 3 and 4

Answer: B

Explanation:

A junior team member can effectively contribute as a note taker (1) and observer (3), allowing them to support the meeting without taking on roles that require more experience, like chairing or serving as an expert. This aligns with CIPS's recommendations for assigning junior roles in negotiations.

89. Which of the following types of questions are likely to be the most effective to check facts in negotiations?

A. Hypothetical

B. Open

C. Leading

D. Closed

Answer: D

Explanation:

Closed questions are useful for verifying facts, as they prompt specific, concise responses. These questions allow the negotiator to confirm details without ambiguity, which is crucial for clarity in negotiation settings, as highlighted in CIPS's guidelines on questioning techniques.

90. How can having a best alternative to a negotiated agreement (BATNA) support the buyer in a negotiation? Select THREE options that apply.

A. It helps to be more assertive in a negotiation

B. It reduces the likelihood of accepting a poor agreement

C. It guarantees a win-win outcome

-
- D. It produces an unacceptable outcome
 - E. It extends the length of the negotiation period
 - F. It helps to identify the point at which the buyer should walk away

Answer: A, B, F

Explanation:

Having a BATNA:

Increases assertiveness (A): Knowing the fallback position empowers the buyer to negotiate more confidently.

Reduces the chance of a poor agreement (B): A BATNA ensures the buyer does not feel pressured to accept suboptimal terms.

Identifies walk-away points (F): It sets a clear boundary, allowing the buyer to exit negotiations if terms don't meet minimum requirements.

These align with CIPS's guidance on using BATNA to strengthen negotiation strategies.

91. Which of the following two are recognized strategies to achieve a win-lose outcome?

92. Making the other party lower its resistance point

93. Making the other party think this settlement is the best it can achieve

94. Employ empathy to gain mutual understanding

95. Using compromise and creativity tactics

A. 1 and 2 only

B. 3 and 4 only

C. 1 and 3 only

D. 2 and 4 only

Answer: A

Explanation:

In a win-lose outcome, tactics often involve lowering the other party's resistance point (1) and convincing them that the offer is the best possible (2). These strategies are designed to maximize advantage for one party at the expense of the other, fitting with CIPS's win-lose negotiation techniques.

96. Which of the following are examples of variable costs?

Building and site rent

Annual insurance premium

Raw materials expenditure

Delivery costs for materials

-
- A. 1 and 3
 - B. 2 and 3
 - C. 1 and 4
 - D. 3 and 4

Answer: D

Explanation:

Raw materials expenditure (3) and delivery costs for materials (4) are variable costs as they fluctuate with production levels. Variable costs vary directly with the volume of production, unlike fixed costs such as rent or insurance, in line with CIPS's classifications of cost types in procurement.

97. Which of the following are tools that help procurement visualise cost breakdowns of products and services purchased from supplier?

98. Spend candlesticks

99. Spend tree

100. Aggregate expenditure model

101. Spend waterfall

- A. 2 and 4 only
- B. 3 and 4 only
- C. 1 and 2 only
- D. 1 and 3 only

Answer: A

Explanation:

Understanding where and with whom your supplier spends their money, or understanding the 'cost breakdowns' or 'price build-up' of the goods and services you purchase from the supplier, will help you know where and when they can offer price concessions.

Cost information can be expressed with more impact through graphs that can be created using Excel and PowerPoint or other softwares. There are two commonly used models known as 'spend waterfall' and 'spend tree'. Spend waterfall shows the build-up of costs, while the spend tree shows all the spends that an organisation makes.

There is no graph known as 'spend candlesticks'. Candlestick chart is a style of financial chart used to describe price movements of a security, derivative, or currency. The aggregate expenditure model is a method of calculating GDP. The aggregate expenditure model focuses on the relationships between production (GDP) and planned spending: $GDP = \text{planned spending} = \text{consumption} + \text{investment} + \text{government purchases} + \text{net exports}$.

102. Premium pricing strategies used by suppliers are characterised by which of the following? Select TWO that apply.

- A. Products are charged at a price based on supplier's reputation
- B. This strategy is often used when supplier attempts to enter new market
- C. Price is based on cost structures
- D. Typically found in the early part of the product life cycle
- E. Premium price is determined by variable costs only

Answer: A, D

Explanation:

There are several pricing strategies used by suppliers:

Cost-plus pricing C Total variable + Fixed cost + profit

Premium pricing C based on branding. Supplier determines to charge a very high price, not connected with cost structures, usually based on its reputation and/or the perception that the product/service is of a superior quality. This strategy typically found in the early part of the product life cycle/when demand exceeds supply.

Penetration pricing - Supplier attempts to enter a new market or extend its share in an established one. It is characterised by price reductions to increase volume, followed by steady price increases; may even be loss leading at start (no profit made)

Marginal cost pricing C covers only variable cost

Market pricing C suppliers prices in line with what the market is willing to pay

103. A purchasing manager is having a negotiation with a supplier to extend the duration of the contract. In order to persuade the supplier to cut the cost by 10%, she promises to shorten the payment period from 45 days to 30 days for each delivery. The supplier's representative does not agree the offer and clearly states that his proposed price is already lower than the market price.

The purchasing manager has used which type of power?

- A. Reward
- B. Expertise
- C. Coercive
- D. Informational

Answer: A

Explanation:

In the scenario, to exchange cost cutting, the purchasing manager promises to 'reward' supplier shorter payment period. This is an example of reward power, which results from one person's ability to compensate or reward another for compliance. The reward does not need to be money, but could be introduction to other buyers in the group, positive references, agreement to trial new product, quicker payment or indeed any other variable that the buyer knows is attractive and valued by the supplier.

104. According to Professor Gavin Kennedy, in which of the following forms of dispute resolution, both parties will voluntarily exchange their ideas and beliefs?

- A. Litigation
- B. Persuasion
- C. Negotiation
- D. Gambling

Answer: C

Explanation:

Professor Gavin Kennedy highlights that we need to distinguish negotiation from other forms of decision-making by focusing on what is unique about it (the voluntary exchange) and not shared by other techniques such as persuasion, gambling (e.g., coin tossing), command decision, instruction, litigation and coercion.

105. Sumitomo Rubber Industries (SRI) is a Japan-based tyre manufacturer. In order to increase production, SRI is sourcing rubber from Southeast Asian firms.

Which of the following micro factors are most likely to shift the balance of power to supplier? Select TWO that apply

- A. SRI's purchase amount makes significant proportion of supplier revenue
- B. Costs of changing suppliers are high
- C. Rubber from different suppliers is virtually similar
- D. SRI sets up its own rubber plantation
- E. There are no close substitutes for rubber

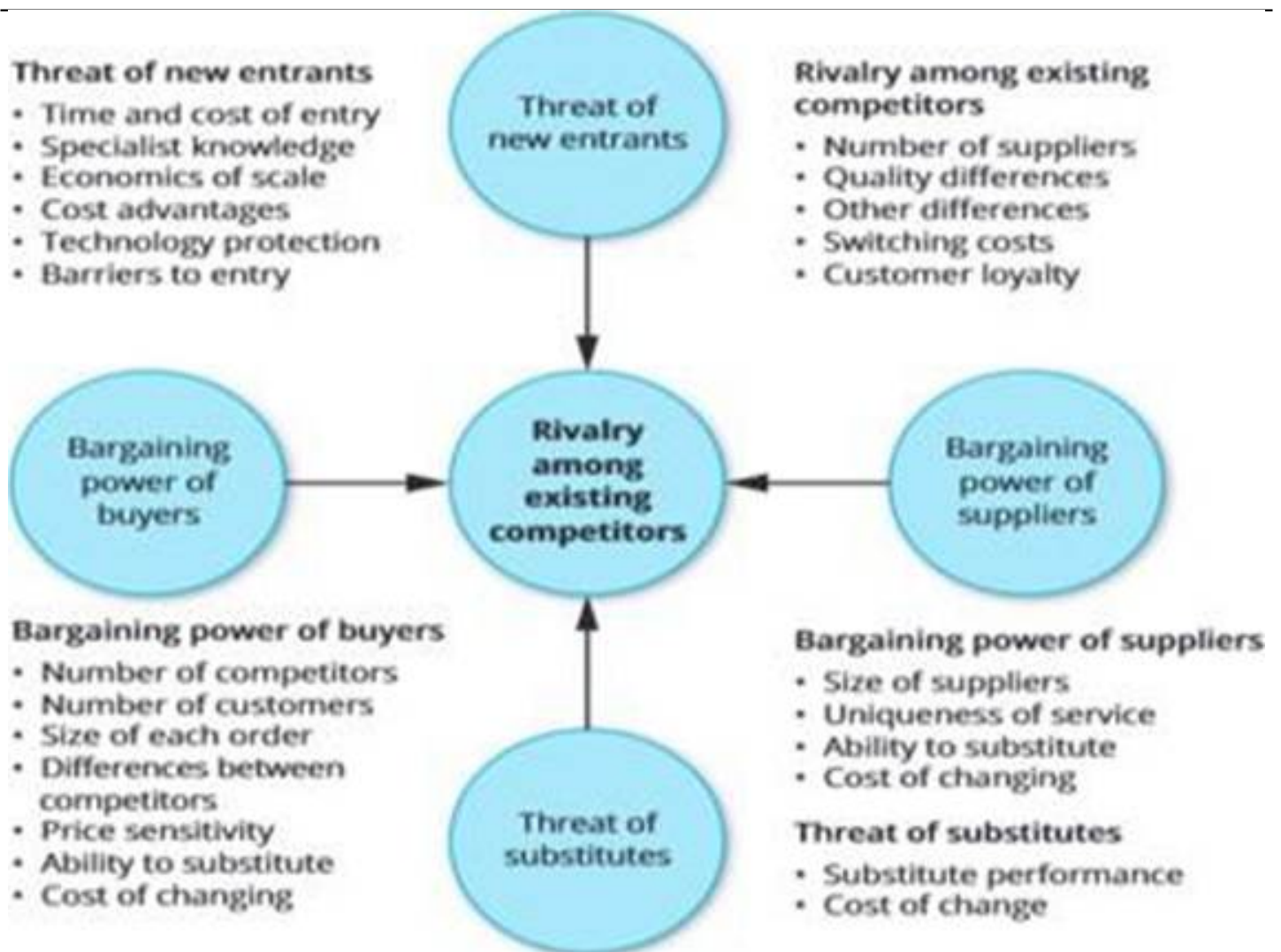
Answer: B, E

Explanation:

There are many factors that can influence the balance of power in a negotiation.

These factors are classified into 3 levels:

- Macro level: STEEPLE framework: social, technological, economic, environment, political, legal and ethical
- Micro level: Porter's five forces:



One-to-one buyer-supplier dynamics

The question asks about the micro factors that increases supplier's bargaining power.

Among 5

answers, only 2 are likely to increase buyer's power:

There are no close substitutes for rubber: the buyer has to buy rubber, not any other material.

Costs of changing suppliers are high: buyer entails a large barrier if they want to switch supplier.

Other answers cannot be correct because:

SRI sets up its own rubber plantation: Buyer secures its own supply

SRI's purchase amount makes significant proportion of supplier revenue: Suppliers are reliant on buyer. If the buyer stops buying from them, they can face serious cash flow problems

Rubber from different suppliers is virtually similar: undifferentiated product would shift the power balance towards buyer.

106.Which of the following are most likely to be sources of conflict that can emerge from the process of commercial negotiations? Select TWO that apply.

- A. Differences in conflict management style
- B. Differences in culture
- C. Types of purchase
- D. Standard terms and conditions
- E. Line of the best fits

Answer: A, B

Explanation:

There are multiple sources of divergent positions that can arise in situations where money is exchange for goods and services. There are 2 different types of sources. Those that arise from the content or subject matter of the negotiation (what is being negotiated) and those that arise from the process of negotiation (how it is being negotiated).

Sources of divergent positions - the process of negotiation:

Sources of divergent positions/conflict	Examples	Sources of divergent positions/conflict	Examples
Agenda and governance	- Who decides what can be negotiated, how the meeting is chaired and governed, and how much time is allowed? - Lack of faith in confidentiality from TOP (notwithstanding the existence of NDAs – non-disclosure agreements).	Timescales/location	- Different views as to where and when negotiation meetings should take place, e.g., 'home or away' and time zone differences. - How many meetings are required? Duration?
Conflicting negotiation styles of participants	Participants adopt very different styles, e.g., one party adopts win-win style while other side adopts win-lose style.	Negotiation medium	Different views of participants regarding use of phone/teleconference, face-to-face, group meetings/negotiation by e-mail.
Cultural differences	Misunderstandings between parties based on local or organisational customs, traditions or conventions. Unintended insults or offence made regarding symbols, forms of address (e.g., using 'Mr'/ 'Ms' versus first name), punctuality, dress codes, attitude, etc.	Team size and make-up	Different views regarding who should be present at negotiation meetings; commercial, technical, legal, stakeholder representation.
		How negotiation will be closed out	- How will we know when negotiation is 'over'? - Is there a time limit or agreed objectives both sides are aiming for? - What is default position if negotiation fails?

Line of best fits is the line that goes approximately through the middle of the data points with an equal number of data points above and below it. Line of best fits is a method of calculating medium value in statistics.

Standard terms and conditions are basic terms and conditions of business governing transactions that do not have a definitive contract, usually designed to be included in form documents such as orders. While there may be conflicts regarding standard terms and conditions, they are about the content of negotiation, not the process.

Type of purchase: when buying organisation makes an decision to purchase an item, a buyer is faced with three possible scenarios. The item to be bought could be a straight re-buy, a modified re-buy or a new purchase. Decision on type of purchase is purely an internal decision.

107. In airline industry, suppliers prefer to adopt dynamic pricing in order to constantly

monitor and change their fares in response to market conditions. Dynamics pricing is based on which costing method?

- A. Activity-based costing
- B. Cost plus costing
- C. Absorption costing
- D. Marginal costing

Answer: D

Explanation:

Dynamic pricing is the practice of dynamically calculating the price of a product or service in order to incorporate real-time market conditions, input costs, and/or competitive perspectives. Dynamic pricing which is based on marginal costing, is used by airlines and many other organisations. Marginal cost is the cost of producing an additional unit of output. Marginal Costing is a costing technique wherein the marginal cost, i.e. variable cost is charged to units of cost, while the fixed cost for the period is completely written off against the contribution.

108.The trust is built based on the other party's professional qualifications or proven or certified technical capability or experience is known as...?

- A. Goodwill trust
- B. Contractual trust
- C. Irrevocable Trust
- D. Competence trust

Answer: D

Explanation:

Trust is the expectation that the other party will behave in a predictable and mutually acceptable way. In inter-firm relationships, the presence and absence of trust can affect the level of cost in a relationship. The existence of trust is taught to lower the transaction cost in a relationship. Dr. Mari Sako identified taxonomy of 3 types of trust in commercial relationship, which is very useful from the perspective of procurement.

Contractual trust: Trust based on the contract with TOP. This is potentially the weakest source of trust if there is nothing else to base the trust on, but it is the quickest to establish.

Competence trust: Trust based on TOP's professional qualifications or proven or certified technical capability or experience.

Goodwill trust: Trust based on knowing TOP has your interest at heart and will not behave opportunistically. This is potentially the strongest type of trust, but it takes the longest time to build.

109.Can a party gain huge advantages in negotiation from setting room layout?

- A. Yes, because the host can freely manipulate the other party's mind through setting room layout

-
- B. No, because the advantages gained from manipulating room layout are short-lived
C. Yes, because the other party can capitulate to the host
D. No, because room layout contributes nothing to the negotiation outcomes

Answer: B

Explanation:

Essentially, for trained negotiators under most circumstances, the physical locations of negotiations and the room layout should not make much difference to the outcomes of the meeting. It is reasonable to assume that most commercial negotiations are based at least initially on a principled-or pragmatic-type approach. It is arguable also that any advantage gained through intentionally creating an uncomfortable environment to put short-term pressure on TOP is likely to be short-lived as TOP will likely reflect on this later and seek means to get even.

110.Economic growth can be measured by...?

- A. The PPI
B. GDP
C. The CPI
D. SBLI

Answer: B

Explanation:

Gross Domestic Product (GDP) is the monetary value of the goods and services manufactured or supplied in a financial period. In general terms, when the GDP rate falls or slows down, there will be a fall in demand for goods and services demanded in the economy, with a fall in firms' revenue and profit margins. When GDP is rising, there will be an increase in demand.

Consumer Price Index (CPI) is weighted measurement that evaluates the average cost of a basket of goods bought by a consumer.

Producer Price Index (PPI) is average changes in prices that a producer receives in return for its goods or services.

Small Business Lending Index (SBLI) is an indicator of small business lending trends.

111.Which of the following is considered a strength of a 'logical' style negotiator?

- A. Assertive
B. Methodical
C. Friendly and accessible
D. Interrelate issues easily and make quick decisions

Answer: B

Explanation:

A useful and simple shorthand for preferred negotiation styles is summarised by four simple descriptor: 'warm', 'tough', 'logical' and 'dealer', which can be applied to describe individuals' dominant preferred style in most circumstances.

Warm - a people person

Tough - a hard-nosed negotiator

Logic - a numbers person

Dealer - a trader who loves bargaining

Strengths, weaknesses of logical style are described below:

Strengths	Weaknesses	How to deal with them
Grasps details	Tends to focus on issues and not the people involved	Get their list of requirements from the negotiation at the start
Precise	Gets too absorbed in the details	Listen and evaluate the facts carefully
Methodical	Cannot readily change styles of persuasion	Recess to analyse the issues
Plans well	May not see the global picture	Back up arguments with facts and figures
Always well prepared	Reaches deadlock more easily	Respect their expertise

112. Which of the following are most likely to turn buying organisation into an unattractive customer in supplier's perspective? Select TWO that apply.

- A. Demands for kickback
- B. Reduced paperwork in procurement processes
- C. Adopting clear and concise CSR policies
- D. Unclear tender award criteria
- E. Using SRM technology

Answer: A, D

Explanation:

Becoming a preferred customer to supplier's perspective can increase the purchaser's leverage in negotiation. Beside the size of buying organisation or its spend, the following may be sufficient to differentiate the buyer from other buying organisations:

Simple procurement processes: Using SRM technology may help to simplify the process
Simple contracting processes

Clear and concise documentation: Reduced paperwork helps both supplier and buyer save their time and resources.

Absence of onerous supplier terms and conditions

On-time payment

Transparent processes: Unclear tender award criteria can be seen as opaque.

Suppliers who attended the tendering processes cannot know the reasons why their bids are rejected and hesitate to attend other tendering.

Ethical behaviour: Suppliers may prefer a buyer who adopts CSR policy because they can predict potential customer's behaviour. Demands for kickback are unethical behaviours.

113.Which type of question should be used to receive affirmation on statement?

A. Open

B. Closed

C. Leading

D. Narrow

Answer: B

Explanation:

Different questioning styles can be used to elicit desired responses:

Questioning style	When to use
Open questions What do you think about?	• To start a conversation • To build rapport • To get the negotiation started and get TOP to start first
Closed questions Can you offer 24hr?	• To generate a specific response • To receive affirmation on statement – often single word, yes or no • To seek specific information • To bring discussion to an end
Probing questions Tell me more about feature X on product Y.	• To seek further information when the first answer to the question is insufficient • To seek answers when TOP is being evasive • To gain more information and get to the bottom of the issue
Hypothetical questions If we wanted to buy globally could you supply?	• To try to get TOP to see things in a different way • To condition TOP into expecting something • To encourage creative thinking/facilitate identification of alternatives

114.According to Fiona Dent and Mike Brent, which of the following are characteristics of Push approach? Select TWO that apply.

-
- A. Inspirational
 - B. Persuasion
 - C. Collaborative
 - D. Seeking commitment
 - E. Directive

Answer: B, E

Explanation:

According to the book 'Influencing: Skills and techniques for business success' by Fiona Dent and Mike Brent, there are two major influencing styles. Push tends to be directive. It tells, and is clear and resolute, but needs to be employed in situations where firmness is required because of difficulties that exist or weakness is evident. Pull is more participatory and collaborative. It seeks to incorporate everyone's perspective. It can appear wishy-washy if not skilfully employed. That approach should be followed which is most likely to secure commitment and not mere compliance. The two divisions can be further divided into four style categories: directive; persuasive reasoning; collaborative C team oriented, people oriented to inspire them with a vision. The directive style relies on your expertise and reputation being respected by others, and where there really does seem to be one answer. It is "I" driven whereas persuasive reasoning is more "we" and issue driven. Directive styles can make the user appear as "a bull in a china shop"; persuasive reasoning can be portrayed as tough guy.

Collaborative influencing takes the "we" element further and seeks to mobilise everyone's ideas in a journey of discovery. It may have the flavour of "I'm your best friend", which may not go down too well. Visioning style is concerned to stir people's emotions in support of achieving an objective. This last one has been used by demagogues to stir people's hearts and minds for evil purposes as well as good. A useful table offers the benefits, problems, words and body language associated with each style along with advice on when to use and when to avoid each. Cases and exercises illustrate these styles.

Empathy comes in for extended treatment with the definition of "standing in the other's shoes". This does not necessarily happen just intuitively, and therefore before a specific influencing effort there should be an intense effort to think about the other person or persons and to sense what it might feel like to be them C their hopes, fears, concerns, what turns them on, what turns them off, where are they coming from.

Reference: Influencing by Fiona Elsa Dent and Mike Brent, 2006 (bd-cons.com)

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115. Rose is a senior buyer from a skiing equipment retailer. Rose is concerned about the current ski boot shortage and the number of invoicing problems from a key supplier. She has decided to have a video conference with Victor, CEO of the supplier. Initially, she intends to threaten Victor with contract termination unless he can improve the situation. However, she is a little wary of doing this as the switching

costs are high. Eventually, she decides to seek solutions by encouraging the other party to offer their views and ideas. Rose also prepares some ideas to discuss with Victor.

Which of the following is the persuasion method that Rose intends to use in the forthcoming conference?

- A. Directive (push)
- B. Persuasive reasoning (push)
- C. Collaborative (pull)
- D. Visionary (pull)

Answer: C

Explanation:

There are two major persuasion methods: 'push' and 'pull'.

Persuasion can be defined as encouraging someone to do something that you want them to do for you. Persuasion is reasoning with someone so that they will believe or do something they might not otherwise do. Persuasion can be considered as 'pushing' on TOP so that they can accept the change in attitude or behaviour as a result of your actions.

Influence is the ability to affect the manner of thinking of another. Influence can be considered as pulling on TOP so that you achieve the same result, but TOP feels they have changed their attitude or behaviour as a result of their reflection and thinking, and not your direct actions.

There are multiple variables to consider when choosing between 'push' and 'pull'. Professor Fiona Dent of Ashridge Business School proposes situations when each style might be most appropriate, breaking down push into 'directive' and 'reasoning' and 'pull' into 'collaborative' and 'visionary':

Obtenga las preguntas del examen CIMA L1M5 para alcanzar el éxito fácilmente

Directive (push)	Collaborative (pull)
An individual-driven persuasion style in which the person seeking to influence another declares their own view/idea in the expectation that it will be accepted and followed by the other. This style is particularly effective in the following situations. • The influencer is an expert while the followers are not • The people being influenced are new/inexperienced • The situation necessitates very speedy action • The situation involves a safety- or security-critical issue or a strict deadline. If this persuasion style is not used effectively or appropriately, the influencer risks developing a reputation for being heavy handed and dictatorial.	A team-oriented persuasion style in which the person seeking to influence another involves the other party in the decision-making process. All parties are encouraged to offer views and ideas about the issue. This style is particularly effective in the following situations. • The influencer needs commitment from the other parties • The influencer is actively seeking innovative ideas from others • There is no clear solution to the issue at hand If this persuasion style is not used effectively or is overused, the influencer risks developing a reputation for being indecisive and weak.

Persuasive reasoning (push)	Visionary (pull)
An issue-driven persuasion style in which the person seeking to influence another gets other parties to buy into the influence's ideas by presenting them in an impartial, objective, logical, and rational way. This style is particularly effective in the following situations. • The influencer has a great deal of knowledge about the issue and a high credibility with others • The situation demands that the influencer gets others to buy-in to an unpopular decision • Research has identified a 'best' answer If this persuasion style is not used appropriately or is overused, the influencer risks developing a reputation for being inflexible and stubborn.	A persuasion style in which the person seeking to influence another does so by understanding the other party's emotions, and stimulating that party's imagination to visualise the desired future goal of the influencer. This style is particularly effective in the following situations. • The organisation has just embarked on a complex change process • The influencer's goal is to attract others' attention and stimulate future debate • The current situation demands innovative thinking If this persuasion style is not used effectively or is overused, the influencer risks developing a reputation for being idealistic or egotistical.

In the scenario, Rose intends to let both parties exchange their views and ideas so that solutions to current problems can be found. This is the typical characteristic of collaborative (pull) method.

116. During a negotiation, a procurement manager suggests that the two companies should split the difference which would benefit both the supplier and buyer.

Which persuasion method is she using?

- A. Compromise
- B. Threat
- C. Good cop/bad cop
- D. Logic

Answer: A

Explanation:

In the scenario, the manager propose to 'split the difference', which means each party

will accept some of their demands and concede some. This is known as 'Compromise'.

Reference: CIPS study guide page 163-165

117. Which of the following is the best description of direct cost?

- A. Direct costs are only variable raw materials that constitute a product
- B. Direct costs include raw materials, labour and overheads
- C. Direct costs include only raw materials and labour of making the final product
- D. Direct costs include raw materials, labour and other expenses attributable to the final product

Answer: D

Explanation:

Direct costs are those costs of a product/service directly attributable/traceable to its production, for example, the costs of labour and materials directly used to produce the goods/services which the organisation sells.

118. A procurement professional is preparing for a negotiation with supplier. She is setting targets for price which her company is seeking to achieve.

Which of the following acronyms can help her identify limits before engaging in the negotiation?

- A. MIL
- B. RAQSCI
- C. TIMWOOD
- D. PPCA

Answer: A

Explanation:

MIL criteria indicate 3 limits that negotiator should establish:

M - Must achieve: minimum target/maximum you can concede on this point; the mandatory requirement or fall back position

I - Intend to achieve: realistic target you are aiming for on this point

L C Like to achieve: stretch target to achieve on this point.

PPCA is purchase cost analysis

TIMWOOD indicates 7 types of waste in Lean principles

The RAQSCI model is a mnemonic summary of a business model used to define and structure business requirements

119. Which of the following should be done when undertaking a reflection activity on negotiation? Select TWO that apply.

- A. Identify areas in your skill set where you need to improve
- B. Gloss over areas where you need to improve your skills or performance

-
- C. Be overly modest about your contribution to the outcomes of negotiation
 - D. Use generalised or ambiguous language when describing your strengths and development areas
 - E. Be honest and objective about your skills

Answer: A, E

Explanation:

Giving positive group and individual feedback is easy, as is self-congratulation and, in many cases, it is hoped, this will be an accurate reflection on actual performance. When it comes to developmental or difficult feedback, it is only natural to want to move on and not reflect on the negative or developmental points, or why a negotiation did not achieve its objectives. But this is a mistake. The best learning opportunities come from reflection on what could be done better, and this can be achieved without blame, threat or condemnation. Everyone and every team will make mistakes and/or have areas where they could have improved. Clearly, if every reflection session concludes that an individual or team keeps making the same mistake, then there is a case to change roles or consider alternative approaches.

About Dos and Don'ts of reflection, you can refer here:

<https://offices.depaul.edu/human-resources/employee-relations/Documents/SelfAssesement.pdf>

120. Which of the following is the definition of safety margin?

- A. The difference between current or forecasted sales and sales at the break-even point
- B. The amount of revenue that remains after subtracting costs directly associated with production
- C. The production level at which total revenues for a product equal total expenses
- D. The incremental money generated for each product/unit sold after deducting the variable costs

Answer: A

Explanation:

As a financial metric, the margin of safety (safety margin) is equal to the difference between current or forecasted sales and sales at the break-even point. The margin of safety is sometimes reported as a ratio, in which the aforementioned formula is divided by current or forecasted sales to yield a percentage value. The figure is used in both break-even analysis and forecasting to inform a firm's management of the existing cushion in actual sales or budgeted sales before the firm would incur a loss. This is a question that a student met in her actual exam. The margin of safety is not even mentioned in the CIPS study guide.

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